

**Statement of
Deputy U.S. Trade Representative Jeffrey Lang
Renewal of Fast Track Authority and U.S. Agriculture
House Committee on Agriculture
Subcommittee on General Farm Commodities**

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today to discuss the Administration's proposal to renew fast track negotiating authority and the President's tariff proclamation authority under the "Export Expansion and Reciprocal Trade Agreements Act of 1997."

Simply stated, this bill is vital to the future of American farmers, businesses and workers as well as fundamental to our position as a leader in the global economy. If enacted, the President's proposal would renew more than 60 years of cooperation between the Congress and the Executive Branch in the negotiation and implementation of market-opening trade agreements for the benefit of American agriculture and the entire economy.

Fast track is about more than economics. It is about American leadership. As the President said last week, fast track "is about whether other countries will continue to look to the United States to lead to a future of peace and freedom and prosperity; about whether the world will be growing together instead of coming apart; about whether our economic ties will lead to cultural ties and ties of partnership, or whether we will be viewed as somehow withdrawn from the world, not interested in leading it, and therefore, not nearly as influential as we might otherwise be for the causes in which we so deeply believe."

Agricultural Exports and the U.S. Economy

Mr. Chairman, the contributions of agricultural exports to the U.S. economy are impressive and bear repeating: a record \$60-billion in exports last year and the largest positive trade balance--\$27 billion--of any sector. The total contribution to U.S. economic activity from 1996's agricultural exports is estimated by the Department of Agriculture (USDA) at around \$140 billion, and farm exports created close to one million jobs here at home.

It's not surprising, then, that America's farmers and ranchers are twice as reliant on foreign trade as the U.S. economy as a whole, with exports accounting for an estimated 30 percent of gross cash receipts. Dollar for dollar, the United States exports more grains and soybeans than airplanes, ships, and boats combined. We export more corn than coal, more wheat than steel, more meat than aluminum, and more fruits and vegetables than CD's, records, and tapes.

Fast Track Provides for Future Export Growth

Viewed in this light, the critical importance of creating new market opportunities for

agriculture is clear. For farmers and the agriculture industry, trade means jobs. Farmers today face a simple dilemma: each year, the combination of hard work and technological innovation make American farmers more productive. At the same time, the US population is relatively stable. The only way to ensure that prices stay strong and farmers and ranchers stay in business is to continue to expand markets outside the United States. Because 96% of the world's population lies outside the United States, this shouldn't be a problem, but we need Fast Track to increase access to this huge segment of the world's population.

We need to continue the successes of past market opening agreements. The Uruguay Round Agreements and the NAFTA made a solid start in liberalizing world trade by reducing export subsidies, putting in place disciplines over certain types of trade activity, and establishing a working dispute settlement mechanism. Despite this progress, foreign agriculture remains one of the most protected and subsidized sectors of the world economy. And because our farmers are among the least protected and subsidized and most competitive in the world, trade distortions in agriculture are a particular problem for the United States.

We still have a lot of work to do in removing barriers to U.S. agricultural exports and addressing unfair competition from other countries. Fast track negotiating authority was essential to achieving our past successes; it's no less critical to meeting our goals for further trade liberalization.

Our Goals for Fast Track in Agriculture

The bill the President delivered to Congress last week contains specific negotiating objectives for agriculture. It covers market access barriers, unfair subsidies, improving international rules and disciplines on state trading enterprises, sanitary and phytosanitary regulations, including biotechnology, and strengthening the rules on such practices as tariff rate quotas. Frankly, the agriculture section of the President's fast track bill is the strongest in history.

We need to ensure that other countries live up to their commitment to negotiate further agricultural trade reforms in the World Trade Organization starting in 1999. The United States insisted on this commitment at the end of the Uruguay Round and it would be unfortunate if our reluctant trading partners got off the hook because we couldn't come to the table. This is the only way for us to address high tariffs and trade-distorting subsidies. If Congress doesn't grant Fast Track authority, none of these countries will take the 1999 round seriously, and no progress will be made in for US agriculture.

To prepare properly for the 1999 negotiations, we need to begin building consensus now for moving our agricultural agenda forward. That means we must begin to lay the ground-work for reducing tariffs to US agriculture exports, disciplining state trading enterprises, developing consensus for scientifically justified rules governing biotechnology products, and strengthening rules on the administration of tariff rate quotas. Let me talk briefly about each.

We will press for global tariff-reduction on agricultural products. The U.S. has on average the lowest tariffs in the world (around 3 percent) while the world average is 56 percent. We have much to gain from cutting global tariff rates and Fast Track is essential to do so.

We will press for transparency and improved disciplines on State Trading Enterprises (STEs): The United States has much to gain from disciplining STEs. STEs distort trade and frequently operate behind a veil of secrecy. They allow some countries to undercut US exports into third markets and restrict imports. Fast Track negotiating authority will help us instill transparency and discipline in the system which help ensure increased market access for U.S. exports.

We will negotiate improved rules in the area of Genetically Modified Organisms (GMOs): The United States leads the world in developing GMOs and is poised to capture a larger share of the global agricultural marketplace because of increased efficiencies and improved product lines. Other countries, most notably those in Europe, threaten to adopt policies regarding the importation and planting of GMO's and the labeling of products containing GMO's that are not based on scientifically-justified principles. If producers and consumers in the United States and around the world are to enjoy the benefits of this new technology, our negotiators need the authority to build consensus in international fora for basing GMO regulations on scientifically-justified principles. If we do not have that authority other countries will take the opportunity to build consensus in ways contrary to U.S. interests.

Strengthen the rules on the administration of tariff rate quotas: In the Uruguay Round, many countries converted their non tariff trade barriers to tariff rate quotas (TRQ's). TRQ's provide increased market access within a defined import quota. Our goal over time is to negotiate increases in the size of TRQ's. However, we are faced with many cases of countries administering their TRQ's in a way that substantially or completely restricts access. We will use fast track authority to negotiate improved rules for TRQ's to ensure that countries that commit to improved access cannot fall back on restrictive administrative procedures.

Fast Track authority will also allow the administration to pursue promising agricultural opportunities through regional arrangements in Asia, Latin America and Africa. There are many bilateral and regional trade agreements operating here in the Western Hemisphere, and the United States is only party to one--NAFTA. While these preferential agreements multiply, the U.S. share of the Western Hemisphere's total agricultural imports is actually declining. We also need Fast Track to allow us to benefit from trade liberalization among the 18-member APEC group. Reducing tariffs in the fastest-growing countries of the Pacific Rim could provide a dramatic boost to U.S. exports of consumer-oriented products.

The Dangers of Inaction

There are serious and immediate consequences if we do not renew this authority. Major trade agreements are being negotiated without our participation. In every region of the world, but

particularly Latin America and Asia, governments are pursuing strategic trade policies and, in some cases, preferential trade arrangements. They are forming relationships around us rather than with us, and they are creating new exclusive trade alliances to the detriment of U.S. interests. I can assure you that our trading partners are not waiting for us.

Let me cite three examples:

- # Argentina, Brazil, Paraguay, and Uruguay have formed a common market, MERCOSUR, which has a GDP of over \$1 trillion and ambitions to expand. MERCOSUR is the largest economy in Latin America and encompasses a population of 200 million. It has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries as well as countries within the Caribbean Basin. There are also recent press reports that the EU intends to sign a free trade deal with Mercosur by 1999. And, last week, Canada and the EU both announced their intention to enter into trade agreements with MERCOSUR.
- # Canada recently signed a new trade agreement with Chile, giving Canadian exporters substantial advantages in comparison with their U.S. counterparts.
- # Chile, one of South America's leading economies, has signed trade agreements with Bolivia, Colombia, Ecuador, Mexico, Venezuela, Canada and the MERCOSUR states. Indeed, Chile has preferential trading relationships with every major trading partner in our hemisphere but one -- the United States. The EU has also concluded a framework agreement with Chile which may lead to a free trade agreement.

The consequences of agreements being reached without us are quite real. Many U.S. firms are experiencing the competitive disadvantage resulting from preferential agreements that do not include us. Our companies are losing export opportunities. Our past efforts to level the playing field will prove futile over the long-term if we begin to cede this ground to our competitors. Examples abound:

- # On a host of important U.S. agricultural exports, our producers face tariffs of 8 percent to 20 percent on shipments to MERCOSUR, while MERCOSUR members trade tariff-free amongst themselves on most products.
- # The Washington Apple Commission and the Oregon-Washington-California Pear Bureau have identified Columbia, Venezuela, Peru and Ecuador as potential growth markets. But these countries currently impose import duties of 15 percent to 25 percent on U.S. apples and pears while imports from Chile face little or no duty.
- # Chile's bilateral agreement with Ecuador has put U.S. wine at a considerable disadvantage. U.S. wine faces a 25 percent tariff versus no duty for Chilean wine.

The danger of inaction in Latin America, and in other regions where free trade agreements are being signed, is the danger of lost opportunity for U.S. agriculture. We risk losing out increasingly to others in our own backyard, not because they are more efficient producers, but because they are party to trade agreements that put the United States at a commercial disadvantage. We need fast track authority to level the playing field for U.S. agriculture in regional trade agreements and in agreements negotiated in the WTO. We need it to ensure that the preferential agreements crafted in our hemisphere and Asia use language that favors US exporters. If we don't get Fast Track authority, we can rest assured that the EU, Canada and the Asian states -- that are sure to strike agreements in our absence -- will not keep US interests in mind when they make preferential trade deals around the globe.

The Export Expansion and Reciprocal Trade Agreements Act of 1997

The President's bill calls for the reactivation of the long-standing partnership between the Congress and the President in trade negotiations. The President's proposal ensures that the Congress is fully integrated into the formulation of U.S. goals, strategies, and decision-making for each trade negotiation subject to fast track procedures.

The proposal first sets out *overall* and *principal* trade negotiating objectives for the President. The *overall* objectives call on U.S. negotiators: (1) to obtain more open, equitable, and reciprocal market access; (2) to obtain the reduction or elimination of barriers and other trade-distorting policies and practices; (3) to further strengthen the system of international trading disciplines and procedures; (4) to foster economic growth, raise living standards, and promote full employment in the United States and to enhance the global economy; and (5) to address those aspects of foreign government policies and practices regarding labor, the environment, and other matters which are directly related to trade and decrease market opportunities for United States exports or distort United States trade.

The *principal* objectives specify that U.S. negotiators should seek: (1) to reduce or eliminate trade barriers or trade distortions, including government policies and practices directly related to trade that decrease market access for U.S. exports or that distort U.S. trade; (2) to reduce foreign government barriers that discriminate against or impose unreasonable regulatory barriers on U.S. services providers; (3) to reduce unreasonable barriers to U.S. foreign investment; (4) to obtain adequate and effective protection for U.S. intellectual property rights and increased access to foreign markets for U.S. businesses that rely on intellectual property; (5) to make the proceedings of international trade bodies more open to public view; (6) to secure fairer and more open conditions of trade for U.S. agricultural products; and (7) to promote through multilateral institutions worker rights and sustainable development

In order for an agreement to qualify for fast-track treatment under the bill, the President must comply with stringent notice and consultation requirements. These provisions enable the Congress to set priorities, provide advice, and exercise oversight at all stages of the negotiations. They ensure that Congressional views will be reflected both in any final agreement and in the

manner in which an agreement is to be carried out.

I am particularly aware of the shared commitment between this Committee and the Administration in support of expanding agricultural exports. The proposal's consultation requirements will build on this solid base of ongoing cooperation. Under the proposal, the President must provide notice to Congress before initiating negotiations, and he must consult with Congress during the course of negotiations. Members of Congress and their staff are to be named as advisers to U.S. negotiating delegations. These Congressional advisers will be apprised of all critical phases of the negotiations, and they will have input into our strategy and offers. When negotiations near completion, the President must notify Congress of his intention to enter into an agreement and, once the agreement is signed, the President must describe to Congress how he intends to implement the agreement. Finally, the President and the Congress are to receive advice on any proposed agreement from the International Trade Commission.

To strengthen these provisions, we have added further consultation requirements. The bill mandates that, prior to entering into negotiations, the President must describe his specific negotiating objectives. In addition, the President is required to inform Congress of any other agreements he intends to conclude with the country or countries in question in addition to the trade agreement itself. In addition, he must state whether the fast track agreement will require additional implementing legislation that can be enacted only outside the fast track process.

Most importantly, Congress must be satisfied that the President has met his consultation obligations, and, if Congress finds that the President has not done so, an expedited procedure is available for Congress to withdraw fast track procedures.

The proposal also expands on existing provisions ensuring that the public is informed of trade negotiations and that a mechanism is available for ensuring that the public can make its views known to U.S. negotiators. The proposal calls for the President and Congress to receive advice from officially-designated advisory committees covering the full range of sectors and policy matters, including agricultural products.

Conclusion

Mr. Chairman, no sector of our economy has more at stake in expanding exports than agriculture. The continuing profitability and viability of U.S. agriculture -- its very future -- depends on the ability of U.S. producers to be competitive in a world market. In the face of unprecedented opportunities and challenges, continuing bipartisan collaboration between the Administration and Congress toward a bold, comprehensive trade and export strategy will ensure America's leadership in the global food and agricultural markets of the future.

The President's fast track proposal ensures that the Congress will be a full partner in setting negotiating objectives, establishing trade priorities, and in gaining the greatest possible

benefits through our trade agreements. This collaboration will strengthen both America's effectiveness and leverage at the bargaining table.

The successes we have achieved in opening up markets for U.S. agriculture are many, but new problems and restrictions are before us. We must use every tool in our arsenal to ensure that the rules that emerge from on going international negotiations reflect our interests and our values. Fast track authority is one of the most important tools. U.S. leadership is essential if we are not only to maintain, but enhance our competitive position.

As President Clinton said last week: "Walking away from this opportunity will not create a single job. No one suggests we should throw up greater barriers in our own marketplace. Walking away from this opportunity will only leave inequalities in place -- inequalities that do not work to the advantage of either American businesses or American workers."

With renewal of fast track authority, we can continue to open new opportunities for agriculture; maintain the U.S. leadership role in initiating and writing new agreements; and better secure our economic future here in our own hemisphere. Without fast track, we could find ourselves in the marketplace of the 21st century playing by European, or Asian, or Latin American rules, and it is very unlikely that these rules will be written to expand substantially market access opportunities for U.S. agriculture.

I look forward to continuing our work with you and other Members on fast track.